

**THE C.W. WILLIAMS  
COMMUNITY HEALTH CENTER, INC.**

**CHARLOTTE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2014 AND 2013**

THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The C.W. Williams Community Health Center, Inc.  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of The C.W. Williams Community Health Center, Inc. (a nonprofit organization), as of March 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The C.W. Williams Community Health Center, Inc. as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of-Matter Regarding Deficit**

The accompanying financial statements have been prepared assuming that the Center will continue to operate with plans to eliminate its net deficiency in net assets. Management's plans regarding those matters are described in Note 12 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying the Schedule of Expenditures of Federal and State awards, as required by OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014, on our consideration of The C.W. Williams Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The C.W. Williams Community Health Center, Inc.'s internal control over financial reporting and compliance.



PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 2, 2014

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ -	\$ 14,297
Due from Medicare/Medicaid intermediaries, net of contractual disallowances of \$0 and \$0	114,032	30,370
Patient accounts receivable, net allowance for doubtful accounts of \$57,939 and \$57,939	315,505	190,083
Accounts Receivable - other	138,995	9,458
Prepaid expenses	-	-
Inventory	6,824	6,824
<b>Total current assets</b>	<u>575,356</u>	<u>251,032</u>
<b>Property and Equipment</b>		
Land	10,000	10,000
Construction in progress	480,000	480,000
Building	1,507,081	1,507,081
Equipment	1,180,949	1,171,061
Total property and equipment	3,178,030	3,168,142
Accumulated depreciation	(2,538,834)	(2,391,324)
<b>Total property and equipment - net</b>	<u>639,196</u>	<u>776,818</u>
<b>Other Assets</b>		
Deposits	25,259	18,358
<b>Total assets</b>	<u>\$ 1,239,811</u>	<u>\$ 1,046,208</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 1,177,450	\$ 1,123,101
Deferred revenue	-	618,000
Accrued payroll and employee benefits	1,004,120	68,486
Current portion of note payable	154,363	204,000
<b>Total current liabilities</b>	<u>2,335,933</u>	<u>2,013,587</u>
<b>Long Term Liabilities</b>		
Note payable	550,015	578,000
<b>Total liabilities</b>	<u>2,885,948</u>	<u>2,591,587</u>
<b>Net Assets</b>		
Unrestricted assets	(1,646,137)	(1,545,379)
Temporarily restricted assets	-	-
<b>Total net assets</b>	<u>(1,646,137)</u>	<u>(1,545,379)</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,239,811</u>	<u>\$ 1,046,208</u>

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED MARCH 31, 2014 AND 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT:</b>						
Department of Health and Human Services	\$ 1,471,555	\$ -	\$ 1,471,555	\$ 1,649,852	\$ -	\$ 1,649,852
Contributions	-	130	130	-	613	613
In-kind contributions	-	-	-	641,614	-	641,614
Other grants	1,092,923	-	1,092,923	410,769	364,267	775,036
Net assets released from restrictions						
Restrictions satisfied by expenditures	130	(130)	-	364,880	(364,880)	-
<b>Total support</b>	<b>2,564,608</b>	<b>-</b>	<b>2,564,608</b>	<b>3,067,115</b>	<b>-</b>	<b>3,067,115</b>
<b>REVENUE:</b>						
Gross patient fees	4,466,897	-	4,466,897	4,980,696	-	4,980,696
Less: Charge adjustments	(2,290,708)	-	(2,290,708)	(3,128,577)	-	(3,128,577)
Less: Bad debts	-	-	-	-	-	-
Net fees	2,176,189	-	2,176,189	1,852,119	-	1,852,119
Service revenue	-	-	-	3,925	-	3,925
Investment income	1	-	1	701	-	701
Miscellaneous income	19,574	-	19,574	89,480	-	89,480
<b>Total revenue</b>	<b>2,195,764</b>	<b>-</b>	<b>2,195,764</b>	<b>1,946,225</b>	<b>-</b>	<b>1,946,225</b>
<b>Total support and revenue</b>	<b>4,760,372</b>	<b>-</b>	<b>4,760,372</b>	<b>5,013,340</b>	<b>-</b>	<b>5,013,340</b>
<b>FUNCTIONAL EXPENSES:</b>						
Program expenses	3,973,544	-	3,973,544	4,368,465	-	4,368,465
Management and general expenses	1,048,609	-	1,048,609	899,623	-	899,623
<b>Total functional expenses</b>	<b>5,022,153</b>	<b>-</b>	<b>5,022,153</b>	<b>5,268,088</b>	<b>-</b>	<b>5,268,088</b>
<b>Decrease in net assets</b>	<b>(261,781)</b>	<b>-</b>	<b>(261,781)</b>	<b>(254,748)</b>	<b>-</b>	<b>(254,748)</b>
<b>Net assets, beginning of year</b>	<b>(1,545,379)</b>	<b>-</b>	<b>(1,545,379)</b>	<b>(1,290,631)</b>	<b>-</b>	<b>(1,290,631)</b>
<b>Extraordinary item - forgiveness of debt</b>						
<b>Net assets, end of year</b>	<b>161,023</b>	<b>-</b>	<b>161,023</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>\$ (1,646,137)</b>	<b>-</b>	<b>\$ (1,646,137)</b>	<b>\$ (1,545,379)</b>	<b>\$ -</b>	<b>\$ (1,545,379)</b>

See notes to financial statements.

THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED MARCH 31, 2014 AND 2013

	2014			2013		
	Management and General	Program Services	Total	Management and General	Program Services	Total
<b>Personnel Costs:</b>						
Salaries	\$ 397,021	\$ 2,718,848	\$ 3,115,869	\$ 377,724	\$ 2,586,709	\$ 2,964,433
Contract staff physicians-other	-	-	-	-	6,468	6,468
Payroll taxes and employee benefits	157,021	340,240	497,261	111,743	242,129	353,872
<b>Total personnel</b>	<b>554,042</b>	<b>3,059,088</b>	<b>3,613,130</b>	<b>489,467</b>	<b>2,835,306</b>	<b>3,324,773</b>
<b>Other expenses:</b>						
Accounting and professional fees	58,857	34,826	93,683	48,266	28,559	76,825
Bank and other service charges	8,955	2,463	11,418	17,965	4,941	22,906
Building maintenance	-	25,226	25,226	-	4,906	4,906
Consultants	143,562	124,004	267,566	59,858	51,703	111,561
Dues, publications and conferences	6,972	4,218	11,190	13,744	8,315	22,059
Employee retention, relocation	3,451	13,074	16,525	273	1,034	1,307
Equipment rental and maintenance	92,305	84,160	176,465	104,804	95,556	200,360
Insurance	14,613	-	14,613	10,069	-	10,069
Interest expense	41,197	6,418	47,615	802	125	927
Legal fees	20,428	-	20,428	37,239	-	37,239
Claim settlement	-	-	-	-	-	-
Marketing	11,418	71	11,489	7,754	48	7,802
Business meetings	-	-	-	-	-	-
Patient services	269	72,255	72,524	274	73,478	73,752
Pharmaceutical cost of goods sold	-	66,660	66,660	-	730,152	730,152
Postage	5,439	1,245	6,684	4,707	1,077	5,784
Printing	1,018	767	1,785	970	731	1,701
Occupancy	4,992	186,305	191,297	5,882	219,535	225,417
Supplies	12,432	60,368	72,800	19,951	96,875	116,826
Telephone	27,066	58,182	85,248	29,768	63,990	93,758
Temporary help	4,261	51,018	55,279	2,580	30,892	33,472
Travel-Board	-	-	-	-	-	-
Travel-staff	6,295	6,417	12,712	17,884	18,228	36,112
Other	59	246	305	170	707	877
<b>Total other expenses</b>	<b>463,589</b>	<b>797,923</b>	<b>1,261,512</b>	<b>382,960</b>	<b>1,430,852</b>	<b>1,813,812</b>
Depreciation	30,978	116,533	147,511	27,196	102,307	129,503
<b>Total expenses</b>	<b>\$ 1,048,609</b>	<b>\$ 3,973,544</b>	<b>\$ 5,022,153</b>	<b>\$ 899,623</b>	<b>\$ 4,368,465</b>	<b>\$ 5,268,088</b>

See notes to financial statements.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (261,781)	\$ (254,748)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	147,511	129,503
Extraordinary item - forgiveness of debt	161,023	-
(Increase) decrease in		
Due from Medicare/Medicaid intermediaries	(83,662)	125,140
Patient accounts receivable	(125,422)	(55,783)
Cost settlement receivable	-	98,798
Accounts receivable - other	(129,537)	9,605
Prepaid expenses	-	11,754
Deposits	(6,901)	-
Increase (decrease) in		
Accounts payable	137,749	808,269
Deferred revenue	(618,000)	(327,444)
Accrued payroll and employee benefits	935,634	(37,445)
Accrued interest	-	(620)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>156,614</u>	<u>507,029</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases and disposals of property and equipment, net	<u>(9,888)</u>	<u>(484,606)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(9,888)</u>	<u>(484,606)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in note payable	<u>(161,023)</u>	<u>(187,000)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(161,023)</u>	<u>(187,000)</u>
<b>NET DECREASE IN CASH</b>	(14,297)	(164,577)
<b>CASH, BEGINNING OF YEAR</b>	<u>14,297</u>	<u>178,874</u>
<b>CASH, ENDING OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 14,297</u></u>
<b>Summary of Cash Balances</b>		
Cash	\$ -	\$ 14,297
<b>Total Cash</b>	<u><u>\$ -</u></u>	<u><u>\$ 14,297</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 47,615</u></u>	<u><u>\$ 927</u></u>



**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

The C.W. Williams Community Health Center, Inc. (the Organization), formerly Metrolina Comprehensive Health Center, Inc., is a non-profit corporation organized under the laws of the State of North Carolina for the purpose of providing medical services to the medically unserved and underserved population of Charlotte, North Carolina. The Organization is supported primarily by grants and fees for medical services. Government grant funding was approximately 50 percent and 48 percent of total Organization support in 2014 and 2013, respectively.

A summary of the Organization's significant accounting policies follows:

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a time and/or purpose restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Malpractice Insurance**

The Organization purchases professional and general liability insurance to cover malpractice claims. A provision for estimated malpractice claims has not been recorded since the Organization has not had any resolved or unresolved claims.

**Property and Equipment**

Property and equipment represents the Organization's investment fixed assets. Some property and equipment was purchased with grant funds and are returnable to the Department of Health and Human Services. Building and building improvements are depreciated over twenty-five years. Furniture and equipment is depreciated over seven to ten years.

In accordance with Financial Accounting Standards Board (FASB) ASC 360-10 the Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended March 31, 2014 and 2013.

**Accounts Receivable and Bad Debts**

Accounts receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)**

The accounts receivable aging as of March 31, 2014 is as follows:

	<u>Current</u>	<u>31-60</u> <u>Days</u>	<u>61-90</u> <u>Days</u>	<u>91-120</u> <u>Days</u>	➤ <u>121 days</u>	<u>Total</u>
Accounts Receivable	\$32,343	\$28,884	\$18,962	\$15,193	\$359,118	\$454,500
	<u>\$32,343</u>	<u>\$28,884</u>	<u>\$18,962</u>	<u>\$15,193</u>	<u>\$359,118</u>	<u>\$454,500</u>

**Inventory**

Inventory consists of medicines and pharmaceuticals that are carried at cost for items purchased and at the wholesale catalogue price for donated items.

**Basis of Presentation**

The Organization conforms to FASB ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from management and general expenses.

**Contributions**

The Organization complies with FASB ASC 958-605. In conformity with FASB ASC 958-605, contributions received, if any, are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities.

**Tax Exempt Status**

The Organization is exempt from federal and State income taxes pursuant to the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code. Effective April 1, 2009, the Organization implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of the independent auditors' report, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Income tax returns from 2012 through 2014 are open for examination by tax authorities.

**Charity Care**

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Services to indigent patients are not reported as

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

revenue. The amount of charges foregone for services and supplies furnished under the Organization's charity care policy aggregated approximately \$1,412,147 during the year ended March 31, 2014.

**Advertising and Marketing**

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing costs were incurred to promote the health services. Advertising and marketing costs were \$11,489 and \$7,802 at March 31, 2014 and 2013, respectively.

**Note 2 – Grants and Contracts**

**Department of Health and Human Services**

The Organization was awarded \$1,471,555 in federal funds for the grant year of April 1, 2013 through March 31, 2014 through the Community Health Centers program and \$1,649,852 for the grant year of April 1, 2012 through March 31, 2013. Total funds expended for the years ended March 31, 2014 and 2013 were \$1,171,510 and \$1,010,928, respectively. The funds were received by the Organization on an advance basis. The funds were used to develop, implement, and evaluate a family centered, culturally sensitive and easily accessible model demonstration project for women, children, and families. The project serves to improve and expand access to health and social services including clinical research.

**Department of Health and Human Services (CD-IFI) Grant**

On May 1, 2012, the Organization was awarded a Capital Development-Immediate Facility Improvements (CD-IFI) grant through the Affordable Care Act, in the amount of \$500,000. The CD-IFI grant funding will be provided under a 2-year project period. The grant will be used to fund renovations and repairs over the total grant period. For the years ended March 31, 2014 and March 31, 2013, \$20,000 and \$480,000 of the funding were spent, respectively.

**Mecklenburg County Homeless Grant**

The Organization was awarded a grant from Mecklenburg County in the amount of \$357,500 for the grant year July 1, 2013 through June 30, 2014 and \$390,000 for the grant year July 1, 2012 through June 30, 2013. The funds are to be used to provide clinical care to the homeless. The Organization has incurred expenses and recorded revenue related to the grants in the amount of \$357,500 and \$511,444 for the years ended March 31, 2014 and 2013, respectively.

**Ryan White Part C**

In July 2012, the Organization received a Ryan White Program Part C grant in the amount of \$300,000. The period of the grant is from July 1, 2012 to June 30, 2015. The funds are to be used for the purpose of providing high-quality HIV primary health-care services for people living with HIV/AIDS or at risk of infection in underserved or rural communities. The Organization has incurred expenses and recorded revenue related to the grant in the amount of \$225,551 during the year ended March 31, 2014.

**Ryan White Title IV**

In August 2011 and August 2012, the Organization received a Ryan White Program Title IV grant in the amount of \$200,000 and \$100,000 respectively. The period of the grant is from August 1, 2011 to July 31, 2012 and August 1, 2012 to July 31, 2013, respectively. The funds are to be used for the purpose of providing family-centered care involving outpatient and ambulatory care for women, infants, children, and youth with HIV/AIDS. The Organization has incurred expenses and recorded revenue related to the grant in the amount of \$54,494 and \$41,581 during the year ended March 31, 2014 and March 31, 2013, respectively.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

**Note 3 – Property and Equipment**

At March 31, 2014, property and equipment consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Property not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	480,000	-	-	480,000
Total property not being depreciated	490,000	-	-	490,000
Property and equipment being depreciated:				
Building	1,507,081	-	-	1,507,081
Equipment	1,171,061	9,888	-	1,180,949
Total property and equipment being depreciated	2,678,142	9,888	-	2,688,030
Less accumulated depreciation for:				
Building	1,237,873	77,078	-	1,314,951
Equipment	1,153,451	70,432	-	1,223,883
Total accumulated depreciation	2,391,324	\$ 147,510	\$ -	2,538,834
Total property and equipment being depreciated, net	286,818			149,196
Property and equipment, net	\$ 776,818			\$ 639,196

Depreciation expense was \$147,511 and \$129,503 at March 31, 2014 and 2013, respectively.

**Note 4 – Operating leases**

The Organization has entered into an agreement for the lease of a satellite office effective March 1, 2011 and ending February 28, 2014. The agreement provides for an increase in annual rent equal to 2% of the base rent in effect during the immediately preceding lease year. Rental expense under the terms of this agreement was \$88,809 and \$95,141 for the years ended March 31, 2014 and 2013, respectively.

The Organization has a sixty month lease beginning October 1, 2008 for copiers. Payments are \$734 per month and are included in equipment rental expense. The final payment for this lease is due October 1, 2013. Rental expense under the terms of this agreement was \$4,404 and \$8,808 for the years ended March 31, 2014 and 2013, respectively.

**Note 5 – Physicians' Contracts**

During August 1999, the Organization entered into an agreement with Presbyterian Regional Healthcare Corp. (Presbyterian) that required Presbyterian to provide physicians to the Organization. The agreement provided for an initial term of two years and was automatically renewed for three successive one year periods. The Fifth Amendment to the original agreement was renewed as of March 1, 2006, and the contract was terminated in December 2011. At March 31, 2011, the Organization owed \$2,349,319 to Presbyterian. Upon termination of the agreement, the Organization and Presbyterian entered into a new agreement for the repayment of the outstanding balance as discussed in Note 6.

The Organization has entered into contracts with a physician. Expenses recognized under the terms of these agreements totaled \$214,504 for the year ended March 31, 2014.

**Note 6 – Settlement Agreement**

Effective December 31, 2011, the Organization entered into a settlement agreement for amounts owed under the physicians' contract as discussed in Note 5. The professional services agreement was terminated on December 31, 2011, and the Organization has agreed to pay \$1,170,000 to liquidate all billed and unpaid charges for services rendered under that agreement. The liquidating payment is payable as follows: \$150,000 due December 31, 2011 and \$1,020,000 due in sixty equal monthly installments of \$17,000. The Organization made no payments under the terms of the agreement during

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

the year ended March 31, 2014. The balance of the agreement is \$0 at March 31, 2014 because the note has been forgiven.

In addition, the contractor has agreed to make annual community benefits grants totaling \$1,030,000 through forgiveness of \$206,000 each year for five years beginning in the same calendar year as the year in which the Organization makes its first payment under the agreement specified above. The Organization recognized \$650,500 as revenue during the year ended March 31, 2014 according to the terms of this agreement. This agreement has been terminated as of March 31, 2014.

**Note 7 – Employee Benefit Plan**

The Organization has a tax-deferred annuity plan covering all full-time employees after one year of service. Effective on their date of hire, participants can contribute any amount of their salary provided that they do not contribute more than the maximum permitted by law. The Organization will make an employer base contribution of 4 percent of the employee's gross salary, whether or not the participant is making contributions, after the first year of employment. Effective July 2008, The Organization suspended its (4%) contribution to the plan as part of their financial recovery. Employees remain able to contribute to their own plan.

The expense for the years ended March 31, 2014 and 2013 was \$0 and \$0, respectively.

**Note 8 – Concentration of Credit Risk**

The Organization maintains its cash balances in three banks. The account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per insured bank. The account balances are fully insured. As of March 31, 2014 and 2013, the uninsured portion of the cash balances held at the banks was \$0 and \$0, respectively.

The Organization grants credit to its patients, many of whom are insured under third-party agreements. The mix of receivables at March 31, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Medicare	9%	5%
Medicaid	38%	9%
Other Third Party Payors	53%	86%
	<u>100%</u>	<u>100%</u>

**Note 9 – Donated Medicines**

The Organization receives donated medicines, from a pharmaceutical company, to assist the Organization in providing affordable medicines to patients. Donated medicines are valued at wholesale catalogue price. As of March 31, 2014 and 2013, \$0 and \$641,614 has been recognized in the accompanying statements of activities because the criteria for recognition of donated services under FASB ASC 958 have been satisfied, respectively.

**Note 10 – Subsequent Events**

The Organization has evaluated subsequent events from the date of the balance sheets through the date the report is available to be issued which is the date of the independent auditors' report. The Organization has not evaluated subsequent events after that date. There was one subsequent event noted during this period that requires disclosure. The payroll loan in the amount of \$53,195 was paid off in full in August 2014.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

**Note 11 – Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended March 31, 2014 and 2013, the Organization carried insurance through various commercial carriers to cover all risks of losses. The Organization has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**Note 12 – Management's Plans**

Management plans to eliminate its deficit by increasing current assets, increasing patient fees through the addition of new patients, obtaining additional grants to offset operating costs and reducing expenditures. Management also plans to monitor its working capital ratios monthly.

**Note 13 – Claims, Judgments and Contingent Liabilities**

The Center is involved with legal disputes with vendors and the ultimate effect of these legal matters is unable to be determined.

**Note 14 – Noncompliance With Laws and Regulations**

The Center failed to comply with grant requirements to spend funds for only costs allowable by the grant contract. The center will be required to repay \$372,894 due to this noncompliance.

**Note 15 – Extraordinary Item – Forgiveness of debt**

\$161,023 of debt was forgiven in 2014 pursuant to an amended settlement agreement for amounts owed under a physician's contract.

**Note 16 – Long-Term Debt**

The Organization entered a new loan in the amount of \$660,000 on January 31, 2013. Thirty-five monthly payments of \$7,187.19 will begin on March 31, 2013. The loan has an interest rate of 5.5%. A single balloon payment of the entire unpaid balance of principal and interest will be due January 31, 2016. The balance as of March 31, 2014 was \$604,378.

The following is a summary of future minimum payments:

	Principal	Interest	Total
For the year ended March 31, 2015	\$ 54,363	\$ 31,883	\$ 86,246
For the year ended March 31, 2016	550,015	28,638	578,653
	<u>\$ 604,378</u>	<u>\$ 60,521</u>	<u>\$ 664,899</u>

The Organization entered a new loan in the amount of \$100,000 on August 31, 2013. Eleven monthly payments of \$8,333 will begin on September 30, 2013. The loan has an interest rate of 4.186%. A single balloon payment of the entire unpaid balance of principal and interest will be due August 31, 2014.

The following is a summary of future minimum payments:

	Principal	Interest	Total
For the year ended March 31, 2015	\$ 100,000	\$ 2,327	\$102,327

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**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MARCH 31, 2014**

GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<b>Federal Awards</b>			
U.S. Department of Health and Human Service			
Health Resources and Services Administration:			
Direct Program:			
Consolidated Health Centers			
Community Health Center	93.224	N/A	\$ 1,171,510
Affordable Care Act (ACA) Grants for Capital			
Development in Health Centers			
Capital Development	93.527	N/A	20,000
			<u>1,191,510</u>
Direct Program:			
Grants to Provide Outpatient Early Intervention Services (EIS)			
with Respect to HIV Disease			
Ryan White Part C Outpatient EIS Program	93.918		225,551
Coordinated Services and Access to Research for			
Women, Infants, Children, and Youth			
Ryan White Title IV Women, Infants, Children, Youth			
and Affected Family Members AIDS Healthcare	93.153		54,494
			<u>54,494</u>
Total Federal Awards			<u>\$ 1,471,555</u>

Note: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The C.W. Williams Community Health Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.



## COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The C.W. Williams Community Health Center, Inc.  
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The C.W. Williams Community Health Center, Inc. (a nonprofit organization), which comprises the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The C.W. Williams Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The C.W. Williams Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weakness. Finding 2014-01.

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether The C.W. Williams Community Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items Finding 2014-01, Finding 2014-02 and 2014-03

### **The C.W. Williams Community Health Center Response to Findings**

The C.W. Williams Community Health Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The C.W. Williams Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the The C.W. Williams Community Health Center, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the The C.W. Williams Community Health Center, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 2, 2014

## **Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors  
The C.W. Williams Community Health Center, Inc.  
Charlotte, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited The C.W. Williams Community Health Center, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of The C.W. Williams Community Health Center, Inc.'s major federal programs for the year ended March 31, 2014. The C.W. Williams Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of The C.W. Williams Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The C.W. Williams Community Health Center, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The C.W. Williams Community Health Center, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, The C.W. Williams Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items Finding 2014-01, Finding 2014-02 and 2014-03. Our opinion on each major federal program is not modified with respect to these matters.

The C.W. Williams Community Health Center, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

Management of The C.W. Williams Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The C.W. Williams Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items Finding 2014-01, Finding 2014-02 and 2014-03 to be material weaknesses. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed previously, we identified deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items Finding 2014-01, Finding 2014-02 and 2014-03 to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 2, 2014

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MARCH 31, 2014**

**SECTION I. -- SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Modified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> yes	<u>  X  </u> none reported

Noncompliance material to financial statements noted	<u>  X  </u> yes	<u>      </u> no
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Federal Awards

Type of auditors' report issued on compliance for major federal programs: Modified

Internal control over major federal programs:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> yes	<u>  X  </u> none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<u>  X  </u> yes	<u>      </u> no
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Identification of major federal programs:

<u>Program Name</u>	<u>CFDA Number</u>
Community Health Center Cluster	93.224 / 93.257

Dollar threshold used to distinguish between Type A and Type B Programs	<u>      \$      </u> <u>  300,000  </u>
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Auditee qualified as low-risk auditee?	<u>      </u> yes	<u>  X  </u> no
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**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2014**

**SECTION II. -- FINANCIAL STATEMENT FINDINGS**

**Material Weakness  
Finding 2014-01**

**Internal controls - Control activities**

**Criteria:**

The Board of Directors is required to adopt and to maintain adequate internal controls to ensure transactions are properly documented and properly approved, to safeguard assets and to maintain adequate oversight of the Center's operations. While small entities are faced with an inherent lack of segregation of duties, the Center is expected to adopt sufficient checks and balances to overcome the lack of segregation of duties.

**Condition:**

- Timesheets were not properly signed by employees, reviewed and approved by a party outside of the accounting department.
- Applications, Department of Labor Forms I-9, NC-4 and W-4 were missing from various personnel files.
- Segregation of duties were not properly established.
- Human Resource Director was assigned to process numerous transactions relating to payroll, cash disbursements and receipts in addition to their current human resource responsibilities without appropriate oversight to ensure these transactions were processed properly. The Human Resource Director lacked appropriate bookkeeping training and skill to perform duties and procedures for processing payroll, cash disbursements and receipts appropriately.
- There were numerous adjustments made to the Center's financial statements.
- Accounting staff were not properly qualified to obtain and perform the positions held.
- The Center's net operating losses continue to increase. Revenues and expenditures are not monitored properly to decrease the deficiency of the net assets.
- Books were not properly maintained to account for operations transactions and no Board oversight.
- There was no competitive bidding process.
- Employee compensation is not properly stated in each personnel file. There were various employees overpaid based on the amount stated in employee's personnel file. Various contracts and approved salaries were not properly documented.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2014**

**Section II - Financial Statement Findings (continued)**

Effect: The Center's assets are not properly safeguarded, transactions are not properly documented and the Center's books are not properly maintained.

Cause: The Center failed to fulfill its fiduciary responsibility to adopt, implement and maintain an adequate system of internal control. Further, the Center delegated managing financial operations to an individual with inadequate skills to perform financial operations.

Recommendation: Internal controls should be adopted, implemented and monitored by the Board of Directors immediately. Further, each Director should be assigned a specific oversight responsibility to ensure the Center's operations are monitored properly. The Board should seek outside training to ensure each member of the Board understands the importance of providing adequate oversight and direction to employees of the Center. While the Center has a small staff that limits the effectiveness of the Center's internal control, appropriate involvement by members of the Board of Directors permits the Center to expand checks and balances in internal controls; thereby, achieving greater segregation of duties.

- Complete documentation should be maintained for all transactions. There should be checks and balances in place to ensure that transactions are properly approved and to maintain an appropriate level of segregation of duties.
- All invoices and timesheets should be approved by the appropriate party prior to payment to ensure salaries are properly paid. Timesheets should be reviewed for hours reported to ensure an employee is not paid for unworked hours.
- Personnel files should be maintained for all employees within the Center. Within this file, there should be an approved application, approved salary/hourly wage, Department of Labor Forms I-9, NC-4 and W-4 maintained in the personnel files at all times.
- The Center should ensure employees who are assigned duties are appropriately qualified and have the necessary skills for bookkeeping in order to perform duties assigned appropriately.
- Books should be maintained and reconciled monthly to allow an appropriate trail of transactions throughout the year. Monthly reports of transactions should be submitted to the Board for review and approval.
- Board minutes should be maintained by a responsible individual to ensure information is documented properly and able to be located for future reference.



**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2014**

**Section II - Financial Statement Findings (continued)**

- Bank reconciliations should be reconciled monthly to allow the Center to be aware of available funding on a monthly basis in efforts to avoid over spending.

Views of responsible officials and planned corrective actions:

The Board of Directors will obtain training for all staff involved in financial operations and will instruct Center staff to develop internal control policies and procedures for the Board's review and approval. See corrective action section for detailed proposed improvements.

**Section III - Federal Award Findings**

**U.S. Department of Health and Human Service Health Resources and Services Administration**  
**Direct Program from Community Health Center - CFDA # 93.224**

**Material Weakness**  
See Finding 2014-01

**U.S. Department of Health and Human Service Health Resources and Services Administration**  
**Direct Program from Community Health Center - CFDA # 93.224**

**Material Weakness**  
**Finding 2014-02**

**Cash Management and Reporting**

Criteria:

The Center should determine whether charges to the program are reconciled and reported properly based on the purpose of the grant.

Condition:

The Center is not reconciling advance requests to the 272 forms. This process leads to inaccuracies with advance amounts traced to the bank statements.

Effect:

The Center does not have reconciled cash management and reporting requirements met. Grant program fund is not expended correctly at the end of the grant program period.

Cause:

The Center has no appropriate procedures in place to review the advance requests to the grant to ensure they are being properly reported for the appropriate amounts. The Center has no appropriate procedures in place to ensure the grant program fund is properly closed at the end of the grant period.

Recommendation:

The Center needs to review procedures taken to determine reporting requirements to the grants are used according to the purpose of the grant.

Views of responsible officials and planned corrective actions:

The Center agrees with this finding. See corrective action section for detail proposed improvements.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2014**

**Section III - Federal Award Findings and Questioned Costs (continued)**

**U.S. Department of Health and Human Service Health Resources and Services Administration  
Direct Program from Affordable Care Act (ACA) Grants for Capital Development in Health Centers  
Capital Development - CFDA # 93.526**

**Material Weakness  
Finding 2014-03**

**Allowable or Unallowable Activities and Costs  
Cash Management**

**Criteria:** The Center should determine whether charges to the program are allowable or unallowable based on the purpose of the grant contract. The Center should not request reimbursement for amounts not applicable to the grant purpose.

**Condition:** The Center contracted with a Contractor, charged and requested reimbursement for expense amounts. The contractor constructed a building and was not paid with grant funds for constructing the building as of the date of the audit report. The program's purpose was not fulfilled.

**Effect:** The Center charged unallowable costs to the grant and received reimbursement for these expenditures. The grant program purpose was not accomplished and grant funds were not used as required by the grant. Further, the Center has an outstanding liability to the contractor without any other source of funds to pay the vendor.

**Cause:** The Center has no appropriate procedures in place to review the charges allocated to the grant to ensure they are allowable expenditures for the appropriate amounts. The Center has no appropriate procedures in place to ensure the grant program fund is properly closed at the end of the grant period.

**Questioned Costs:** \$372,894, the amount of unallowable costs. This finding still remains from the previous years audit.

**Recommendation:** The Center needs to review procedures taken to determine allowable costs are charged to the grants and to ensure grant funds are used according to the purpose of the grant.

**Views of responsible officials and planned corrective actions:** The Center agrees with this finding. See corrective action section for detail proposed improvements.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**CORRECTIVE ACTION PLAN**  
**YEAR ENDED MARCH 31, 2014**

**Section II - Financial Statement Findings**

**Material Weakness: Internal Control - Control Activities**

**Finding 2014-01**

**Contact:** Executive Director

**Corrective Action:** The Executive Director will review the processing of payroll to ensure its accuracy. Processes will include reviewing timesheets for appropriate signatures from employees and approved by a party outside of the accounting department.

Prior to hiring employees, their qualifications will be reviewed more closely for the available position to ensure personnel procedures are being implemented appropriately.

Financial statements will be reviewed by a consultant on a monthly basis to ensure transactions are recorded properly and statements are prepared according to generally accepted accounting principles. Audits will be timely.

Supporting documentation will be maintained in an organized location to allow for access for any transaction recorded in the books.

Personnel files will be maintained in an organized location for each employee and appropriate information such as application, Department of Labor forms I-9, NC-4 and W-4 will be located in each employee's file.

The Center will ensure segregation of duties are properly established and are being implemented properly on a daily basis.

Board minutes will be maintained by an individual responsible for ensuring all minutes are locatable upon request.

Bank accounts will be reconciled on a monthly basis.

The Center will reduce its expenses by operating in one location as opposed to two, decreasing size of staff, monitoring revenues and expenses, reporting financial statements to the Board of Directors on a monthly basis and searching for more revenue sources.

Federal transactions will be processed by one individual to ensure grant funds are used for the intended purpose and eliminate the excessive amount of grant funds received.

Vendors will be contacted as to the balances owed to determine the Center's payment obligation to these vendors. Accounts payable will be updated to agree to payable amount per the vendor to ensure a payment arrangement is developed to pay overdue vendor balances.

**Effective Date:** Immediately.

**THE C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.  
CORRECTIVE ACTION PLAN  
YEAR ENDED MARCH 31, 2014**

**Section III - Federal Award Findings and Questioned Costs**

**U.S. Department of Health and Human Service Health Resources and Services Administration  
Direct Program from Community Health Center - CFDA # 93.224**

**Material Weakness: Internal Control - Control Activities**  
See Finding 2014-01

**U.S. Department of Health and Human Service Health Resources and Services Administration  
Direct Program from Community Health Center - CFDA # 93.224**

**Material Weakness Cash Management and Reporting**  
**Finding 2014-02**  
**Contact:** Executive Director

**Corrective Action:** Advance amounts requests will reconcile to the 272 forms and properly trace to the bank statements. All requests will be reviewed by the Executive Director prior to making the request.

**Effective Date:** Immediately.

**U.S. Department of Health and Human Service Health Resources and Services Administration  
Direct Program from Affordable Care Act (ACA) Grants for Capital Development in Health Centers  
Capital Development - CFDA # 93.526**

**Material Weakness Allowable or Unallowable Activities and Costs**  
**Finding 2014-03**  
**Contact:** Executive Director

**Corrective Action:** Request for reimbursements will agree to the expenditures incurred to ensure costs are allowable for the program. All requests will be reviewed by the Executive Director prior to making the request.

**Effective Date:** Immediately.

**The C.W. WILLIAMS COMMUNITY HEALTH CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED MARCH 31, 2014**

There were three findings for the year ended March 31, 2013. Finding 2013-01: The Center failed to fulfill its fiduciary responsibility to adopt, implement and maintain an adequate system of internal control. Further, the Center delegated managing financial operations to an individual with inadequate skills to perform financial operations. Finding 2013-02: The Center had no appropriate procedures in place to review the charges allocated to the grant to ensure they are allowable expenditures for the appropriate amounts. The Center had no appropriate procedures in place to ensure the grant program fund is properly closed at the end of the grant period. Finding 2013-03: The Center had no appropriate procedures in place to review the charges allocated to the grant to ensure they are allowable expenditures for the appropriate amounts. The Center had no appropriate procedures in place to ensure the grant program fund is properly closed at the end of the grant period. These findings have not been resolved as of March 31, 2014 and are repeated as findings 2014-01, 2014-02, and 2014-03.

The 2013 audit was delayed due to lack of cash flow to finance an audit. That audit was issued on July 7, 2014. Further, the accounting records required substantial correction due to turnover in accounting personnel. The Center has restructured its staff and replaced key employees to seek resolution to its current weaknesses in internal control and financial difficulties.